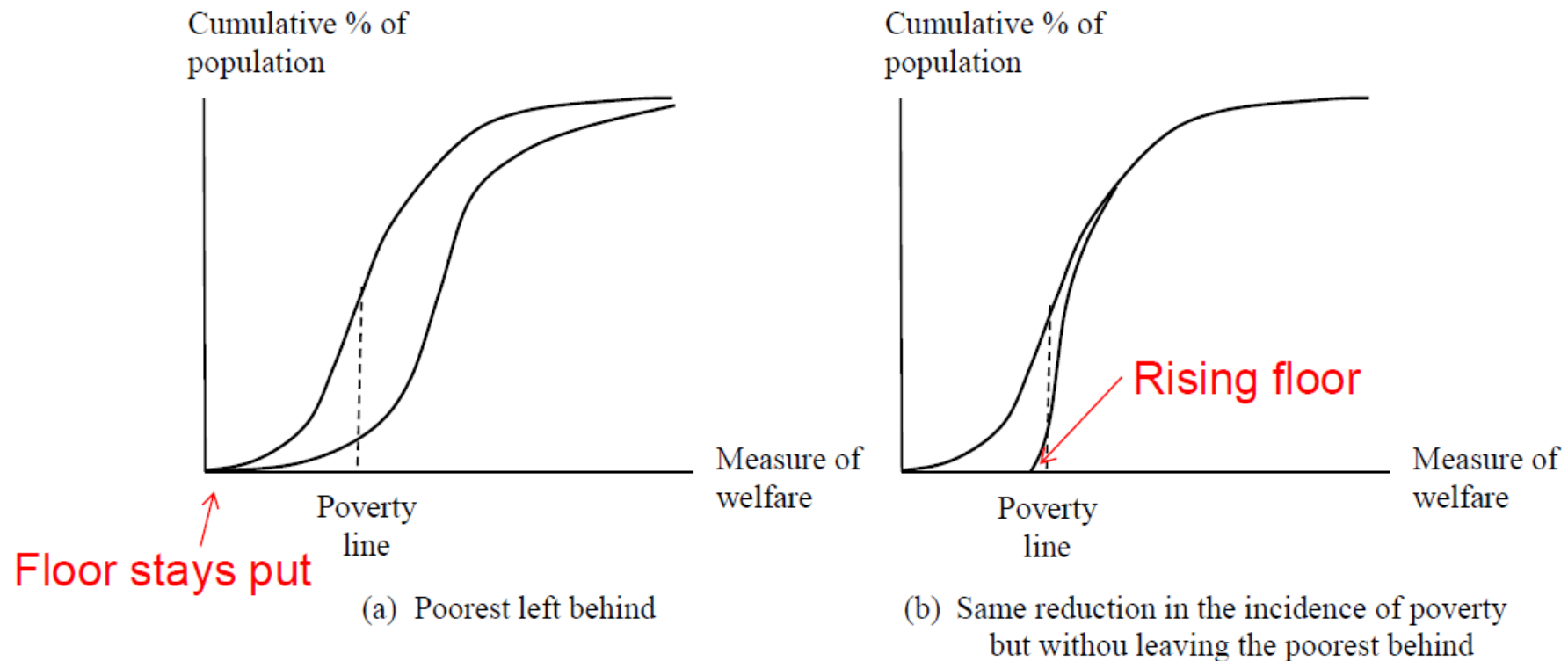




# Consumption floor

- Concern about the poorest has deep roots in moral philosophy (e.g. Rawls), yet poverty measures tell us nothing about the “floor”, or lowest bound of permanent consumption / income.



- A consumption floor measure proposed, using a weighted mean of observed consumptions below a poverty line, with highest weight on the poorest.

$$E(y^{min} | y) = \sum_{i=1,n} \varphi(y_i) y_i$$

Assuming  $\varphi(y_i)$  is person  $i$ 's share of the aggregate poverty gap, and denoting the poverty line  $y^*$ :

$$E(y^{min} | y) = y^*(1 - SPG^*/PG^*)$$

Inequality among the poor affects the estimate of the consumption floor negatively.

- Despite significant progress in reducing (\$1/day) poverty, only modest progress in lifting the floor.
- Social protection spending tends to lift the floor, with social insurance (public pensions) doing most of the heavy lifting, while social assistance (cash transfers) largely misses the poorest.

## Key references

- Ravallion, M. 2016. “Are the world’s poorest being left behind? *Journal of Economic Growth* 21: 139-164.
- Magritic, J., & Ravallion, M. 2019. “Lifting the floor? Economic development, social protection and the development of World’s poorest.” *Journal of Development Economics* 139: 97-108.
- Jolliffe, D., Magritic, J., & Ravallion, M. 2019. “Food stamps and America’s poorest”, NBER Working Paper No. 26025, Cambridge, MA.

# Intra household inequality

[Brown, Caitlin, Martin Ravallion, and Dominique van de Walle. \(2019\). Most of Africa's Nutritionally-Deprived Women and Children are Not Found in Poor Households. \*Review of Economics and Statistics\*, 101\(4\): 631-644](#)

- Roughly three-quarters of underweight women and undernourished children are not found in the poorest 20% of households, and around half are not found in the poorest 40%.
- Countries with higher undernutrition tend to have higher shares of undernourished individuals in nonpoor households.
- Due to intrahousehold inequality but also to common health risk.

[Philippe DeVreyer, Sylvie Lambert and Martin Ravallion \(2020\), « Unpacking Household Engel Curves », NBER working paper, No. 26850,](#)

- Aggregating sub-household level Engel curves reveal confounding factors in standard Engel curves, including intra-household inequality and household effect on sub-household spending behaviour.
- As a result, estimates of the standard household Engel curves overestimate the income elasticity of the demand for food by about 50%.